

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

XMB-02 OPIC-03 AF-08 ARA-06 EA-07 NEA-10 /136 W

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P R 041444Z NOV 76

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 9987

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BERN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY HELSINKI

AMEMBASSY PRAGUE

AMEMBASSY STOCKHOLM

AMEMBASSY WARSAW

USMISSION EC BRUSSELS

:USMISSION OECD PARIS 4599

USMISSION MTN GENEVA

C O N F I D E N T I A L VIENNA 9106

EO 11652: GDS

TAGS: GATT ETRD HU XG

SUBJECT: PROLIFERATION OF DISCRIMINATORY TRADE AGREEMENTS
BETWEEN EAST AND WEST EUROPE

REF: GENEVA 8475

1. SUMMARY. EAST EUROPEAN COUNTRY PRESSURES ON GOA
TO GRANT TRADE CONCESSIONS THROUGH ONE-SIDED FTA'S AND
OTHER MEANS HAVE BEEN REPORTED BY GOA TO USG OFFICIALS,
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AND, IN TURN, BY THE EMBASSY TO ADDRESSEES ON VARIOUS

OCCASIONS. MOST RECENT OCCASION WAS GATT AMBASSADOR WALKER'S VISIT REPORTED IN VIENNA'S 8858. GOA OFFICIALS ALSO HAVE GIVEN US REPEATED ASSURANCES OF THEIR OPPOSITION TO PHONY FTA'S NOT ONLY BECAUSE OF DISCRIMINATORY NATURE BUT ESPECIALLY BECAUSE OF ECONOMIC BURDEN THEY WOULD PLACE ON AUSTRIA. SINCE ISSUE ALREADY HAS BEEN WELL AIRED, AND US POSITION STRONGLY STATED, WE SEE NO USEFUL PUPOSE IN JOINT US-EC DEMARCHE AS PROPOSED REFTEL. HOWEVER, WE WOULD SUPPORT PROPOSAL FOR STATEMENT, PHRASED IN GENERAL TERMS, AT NOVEMBER GATT CP'S MEETING, AS WELL AS EXPRESSION OF CONCERN TO AUSTRIA AND OTHER POSSIBLE WEST EUROPEAN PARTNERS BY EC COUNTRIES, EITHER INDIVIDUALLY OR AS UNIT. END SUMMARY.

2. BECAUSE OF PERSISTENT AND GROWING EAST EUROPEAN TRADE DEFICIT WITH AUSTRIA, PLUS INCREASING HARD CURRENCY DEBT PROBLEM, MOST IF NOT ALL, EAST EUROPEAN COUNTRIES HAVE ASKED GOA TO FURTHER LIBERALIZE ITS TRADE BARRIERS. SUCH REQUESTS ARE NOT NEW. WHAT SEEMS TO BE NEW, HOWEVER, IS GROWING INTENSITY OF THESE REQUESTS, PLUS MORE UNIFIED COMECON COUNTRY APPROACH, REFLECTING LIKELY COORDINATION ON THEIR PART. GOA RESPONSE, AS INDICATED PUBLICLY BY CHANCELLOR AND PRIVATELY BY GOA OFFICIALS, HAS BEEN NEGATIVE AS FAR AS DISCRIMINATORY CONCESSIONS ARE CONCERNED. WE WOULD NOT RULE OUT, HOWEVER, EVENTUAL POSSIBILITY OF SOME AUSTRIAN CONCESSIONS ON MFN BASIS, AND HERE GOA CONCERN IS WHETHER OR NOT CREDIT MIGHT BE GIVEN IN EVENTUAL MTN TALLY. THIS QUESTION WAS DISCUSSED WITH

AMBASSADOR WALKER.

3. BECAUSE GOA HAS MADE NO SECRET OF EAST EUROPEAN PRESSURES, AND US POSITION HAS BEEN STRONGLY STATED RECENTLY BY AMBASSADOR WALKER (AND REITERATED THIS WEEK BY E/C COUNSELOR TO TRADE MINISTRY AND FONOFF CONTACTS), WE SEE NOTHING TO BE GAINED BY FURTHER US, AND ESPECIALLY A JOINT DEMARCHE WITH THE EC, AT THIS TIME. SUCH AN APPROACH, IN FACT, COULD BE COUNTERPRODUCTIVE
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IF GOA INTERPRETED IT AS A GANG-UP BY STRONGER POWERS WHO HAVE THEIR SPHERES OF INFLUENCE WELL PROTECTED, AGAINST WEAKER INDEPENDENT.

4. THEREFORE, WE OPPOSE PROPOSAL FOR JOINT US-EC DEMARCHE GO GOA. HOWEVER, WE WOULD SUPPORT:

(A) STATEMENT-MORE GENERALLY PHRASED- REITERATING

US POSITION AGAINST DISCRIMINATORY ARRANGEMENTS AT NEXT
CP'S MEETING; AND (B) ENCOURAGEMENT OF EC MEMBER NATIONS
TO MAKE REPRESENTATIONS TO GOA ALONG SAME LINES US
HAS TAKEN. IN ADDITION WE WILL CONTINUE TO WATCH
SITUATION CLOSELY TO TRY TO RESPOND TO ANY CRACKS
IN CURRENT GOA POSITION AGAINST WHAT CLEARLY ARE
INCREASING PRESSURES IN AN AREA OF GOA SENSITIVITY. BUCHANAN

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